RIDER RESOURCES INC.

ANNUAL REPORT 1995

Corporate Profile

Rider is an emerging oil and gas company headquartered in Calgary, Alberta and publicly listed on the Alberta Stock Exchange ("RRI.A"). Incorporated in 1993, Rider's growth has been enhanced by low risk development activity and strategic acquisitions. The Company will continue this growth strategy in 1996, while seeking to balance oil and gas production acquisitions with drilling, and maintaining financial flexibility. At year end December 31, 1995, Rider was debt free and was capitalized by 2,224,780 shares outstanding of which 70% were in the public float.

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Annual Meeting of Shareholders

Shareholders are encouraged to attend Rider's Annual General and Special Meeting of Shareholders which will be held on Wednesday, June 12, 1996 at 3:00 pm at the Calgary Petroleum Club, 319 Fifth Avenue S.W., Calgary, Alberta.

HIGHLIGHTS

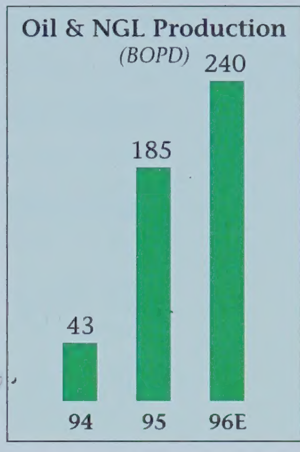
Financial ($000)

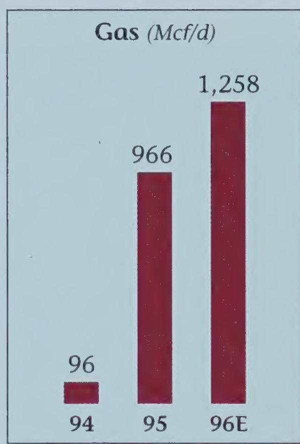
	1995	1994	% Change
Oil and Gas Revenue	$ 1,801	$ 384	369%
Cash Flow	$ 757	$ 239	217%
Per Share	$ 0.35	$ 0.11	
Net Earnings	$ 139	$ 123	14%
Per Share	$ 0.06	$ 0.06	
Return on Equity (%)	6	5	20%
Class A Shares Outstanding (Basic)	2,224,780	2,148,680	4%
Class B Shares Outstanding*	3,742,264	3,742,264	–

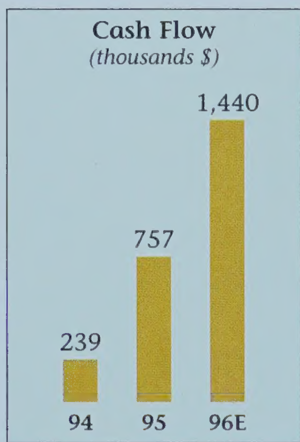
* Convertible into Class A shares after August 31, 1997 and before June 30, 1999 at the greater of the Class A market value or $1.00.

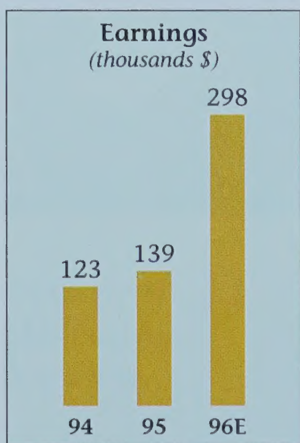
Operations Data

	1995	1994	% Change
PRODUCTION			
Oil and NGL (BOPD)	185	43	330%
Gas (Mcf/d)	966	96	906%
BOEPD	282	53	435%
PRICE			
Oil - U.S. WTI	$ 18.35	$ 17.19	7%
Oil - Rider Cdn.	$ 22.01	$ 20.45	8%
Gas	$ 0.89	$ 1.79	-50%
Average Royalty Rate	11.4%	15.6%	-27%
Finding and On Stream Costs			
Proven Reserves ($/BOE)	$ 3.11	$ 5.09	-39%
WELLS DRILLED			
Gross	8	25	
Net	3.8	3.9	
Net Success Rate (%)	93	91	
RESERVES – Proven and Probable (as at Jan 1, 1996)			
Crude Oil and NGL (MBls)	1,290	301	329%
Natural Gas (Mmcf)	2,822	1,704	65%
Barrels of Oil Equivalent (10:1)	1,572	471	234%









PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

Our primary focus in 1995 was to generate a sustainable cash flow base from Rider's existing assets. I am pleased to report that this goal was achieved through drilling activities that increased the Company's reserves to an eight year reserve life index with finding and on stream costs of $3.11 per BOE for proven reserves and $1.07 per BOE for proven and probable reserves.

Rider's "Game Plan"

Our game plan for 1995 was essentially to drill low risk infill development oil wells. Consequently, the majority of our wells were drilled within "eye-shot" of pumpjacks. We remained focused on oil, irrespective of commodity price swings. At this stage in the Company's development, drilling natural gas prospects is not an immediate focus.

Rider showed impressive growth in all performance criteria. Crude oil, liquids and natural gas production averaged 282 BOEPD, up 435% from 1994's average of 53 BOEPD. We exited the year at 310 BOEPD, and are currently producing 340 BOEPD. Of this, approximately 65% is oil and liquids and 35% is natural gas. This compares to 1994's ratio of 80% oil and liquids and 20% natural gas.

Our capital budget of $1.6 million was expended on the drilling of 8.0 (net 3.81) wells resulting in 7 oil wells, with 5 wells operated by Rider. Successful drilling generated reserve additions of 415,405 BOE proven and replaced production by 4.1 times on the basis of proven reserves.

Our financial performance reflected the Company's successful drilling activity, with gross revenues of $1,941,000, cash flow of $757,000, and earnings of $139,000, a gain of 255%, 217% and 14%, respectively. On a per share basis, cash flow grew by 217% to $0.35 and earnings remained constant. The per share cash flow number fell somewhat short of our $0.40 per share projection because of lower than

expected gas prices and greater than anticipated current income taxes that could not be deferred. Rider posted reasonable general and administrative expenses for a Company of our size of $1.05 per BOE.

At year end, Rider remained debt-free and in a solid financial position for future growth. Our 1995 capital budget was funded entirely from working capital and internally generated cash flow from operations. As reported in the 1994 annual report, Rider filed a Normal Course Issuer Bid. Under this bid, in 1995, Rider purchased 53,700 shares of the Company at an average price of $1.13 per share. At this price, which represents approximately three times 1995 cash flow, we believe the stock was and is still considerably undervalued. In addition, Rider has filed another Normal Course Issuer Bid with the Alberta Stock Exchange. This will provide Rider with the option, but not the obligation, to purchase up to 108,000 of its common shares. During 1995, our efforts to improve both the share price and liquidity were successful. In 1995, 381,503 shares traded, an increase of 33% from the previous year, and the closing price of $1.25 represents a 25% gain from the price at December 31, 1994.

A Look At What's Ahead in 1996

For 1996, a capital program of $3 million is planned, funded from cash flow and an operating line of credit, as appropriate. The business plan, of focusing our activities on shallow, multi-zone light oil prospects which we both generate and operate, remains intact.

At Handsworth, where two low risk development wells were drilled, we plan to drill a two-legged horizontal well in the second quarter of 1996 and assuming the success of this well, a similar well will be drilled in the third quarter of the year. At Pembina, where we drilled two wells on 80 acre spacing in 1995, we are continuing to evaluate the results and drilled one more well in the first quarter of 1996, with two more planned for later this year.

As we enter 1996, with an established operating base and a healthy financial position, I am highly optimistic about Rider's future; the Company is very well positioned for significant growth and profitability. We will continue to dedicate our resources to the twin goals of reserve growth and shareholder value.

Acknowledgements

At this time, I would like to thank the Directors for their continued support with a special thanks to Mr. Daryl E. Birnie, who retired form our Board in 1995. In his place we welcome Mr. William L. Kaufmann, who has more than 35 years of business and industry experience. The team at Rider is one of our most valuable assets. I would like to express my appreciation for the staff's continued dedication throughout this past year and into the future. I would also like to thank our shareholders for their continued support and I am sure they will be well rewarded for their loyalty.

B.E. Ho

B.E. (Elliott) Horner
President
March 27, 1996

QUESTIONS & ANSWERS

What business are you in?

Rider is currently in the exploitation and development business. Until we reach critical mass, full cycle exploration is too expensive and risky. We will continue the exploitation of our current core areas whilst analyzing prospective acquisitions and/or mergers for upside and risk.

Len Kotschorek, V.P., Land & Marketing

Will you be going to the Equity Market soon?

Our business plan includes the addition of equity at a prudent time as an avenue for growth. We did not go to the markets in 1995 because our shares were only trading at 3 times cash flow and the effect would have been too dilutive to our shareholders. As business opportunities arise, we will access the equity markets in order to finance our activities.

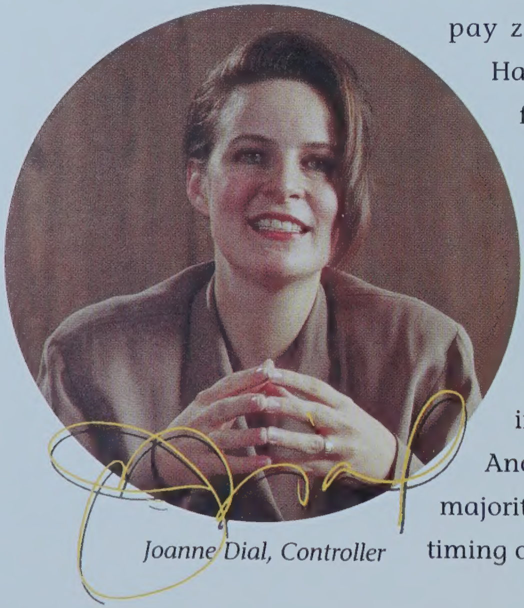
How do you prepare for the inherent risks associated with the Oil & Gas Industry?

Rider addresses the risks associated with drilling and operations by diversifying both geographically and geologically. At Pembina, for example, we are operating three wells currently in the Cardium zone with Belly River potential up-hole. There are four potential pay zones to be exploited in this field. At the same time, in Handsworth, we are operating three wells, extending an existing field and encountering "virgin" pressures and unexploited reserves.

Rider prepares for the inevitable fluctuations in oil and gas pricing by balancing our production 65/35 oil to gas, allowing the split nature of the commodities to offset each other in wild swings up or down.

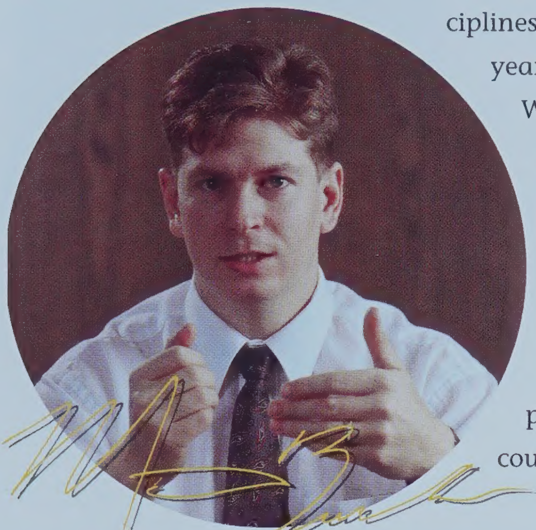
Rider also leverages the risk by inviting partners to participate in the prospects.

Another way in which we try to mitigate risk is by operating the majority of new projects. This allows Rider to control the direction and timing of our drilling activity.


Joanne Dial, Controller

QUESTIONS & ANSWERS

What's your expertise?



Martin Buschau, Senior Engineer

Rider is technically managed and very strong in the engineering disciplines, with our president, Elliott Horner, being an engineer with 18 years experience. Managing risk and optimizing costs is our forte. We believe that as the western sedimentary basin matures, there remain large operating efficiencies to be garnered by engineering expertise like ours.

We are very effective operators with a management team continuously gauging progress. Excellent teamwork among Rider staff allows for efficiencies in decision making. Freeflowing information allows team members to identify and pitch opportunities and management to promptly decide on the course of action.

Where will Rider be in three years?

Our goal is to achieve production of 5,000 BOEPD at the exit of 1999, with a full cycle exploration and development team striving to maintain our record of below average finding and on stream costs. This will be achieved by continuing to exploit our strategic oilpatch advantages and alliances.

Why should investors have confidence in Rider's projections?

Our track record coupled with the experience of our Board of Directors has allowed Rider to thus far meet its objectives. Rider will continue to exercise prudence in investing and risk management.

In the 1995 Price Waterhouse Industry Survey of the top 100 publicly traded oil and gas companies, the industry average was $6.25 per BOE for depletion costs and cash flow of 13.6¢ per $1.00 of assets — how do you compare?

Rider's performance exceeded the industry average by 50% ($3.13 per BOE) for depletion costs and by 51% (20.5¢ per $1.00 of assets) for cash flow on assets.

Dorothy Wolfe, Office Administrator

STRATEGIC VISION

Rider has focused on a strategy of exploiting and developing shallow oil wells which has increased profitability by decreasing finding and on stream costs to an exceptional $3.11 per BOE. The emphasis on building a solid production base while maintaining tight control of operating costs and exploiting low risk quick payback projects has positioned Rider for significant expansion in the coming years.

Rider has maneuvered into launch position for significant growth which will come through drilling, mergers and strategic acquisitions in core areas. Rider will finance this growth with equity and debt so as to continue to enhance the share value.

Rider's solid production base and commitment to significant growth over the coming years remain concurrent with our primary commitment of creating shareholder value.

Seated (l-r): Mr. B. J. Seaman, Ms. K. M. Horner,
Standing (l-r): Mr. W. L. Kaufmann, Mr. B. E. Horner.

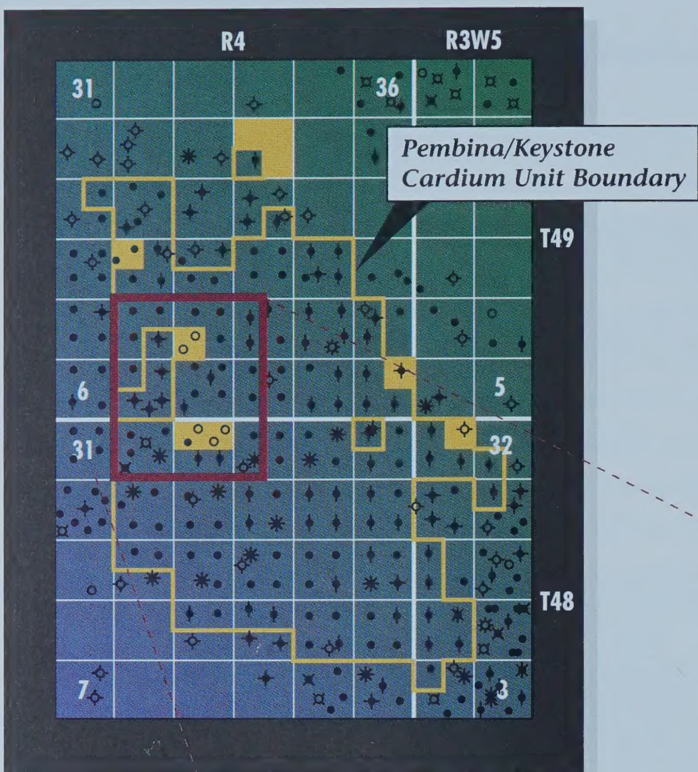
Core Areas

North Handsworth

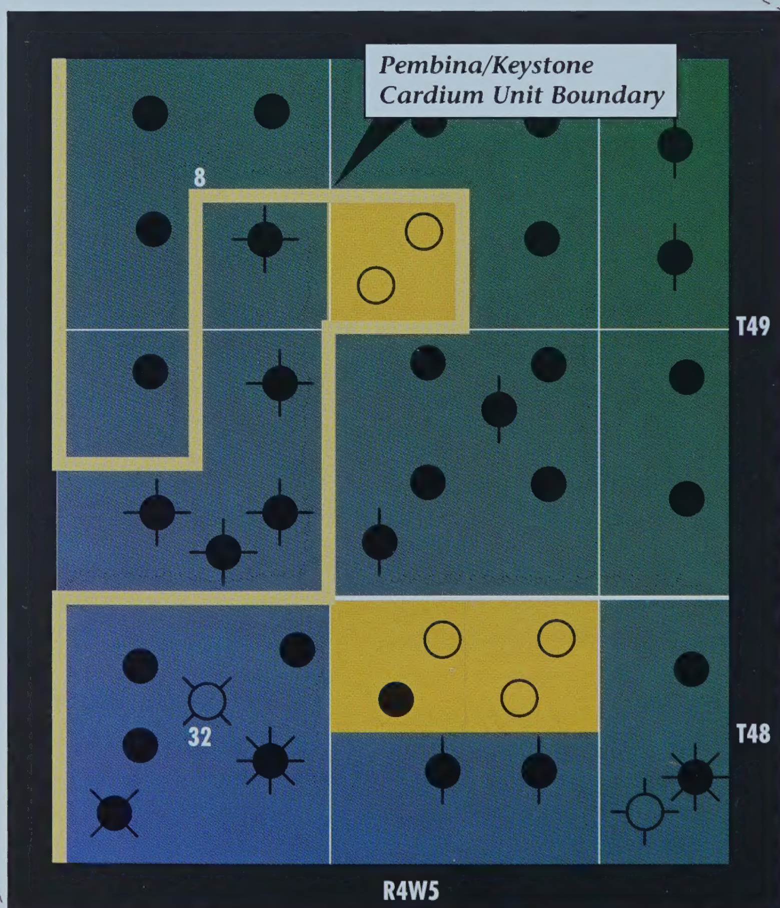
The Handsworth region of Saskatchewan has historically provided excellent reserve potential relative to risk. Based on delineation drilling and an 11 km seismic evaluation at North Handsworth, Rider will spud a two-legged horizontal well in the third quarter of 1996 which will add approximately 300 BOPD (150 net) to our production base. This, along with the two horizontal re-entry wells planned, should add an additional 200 BOPD (150 net) to our production base. Facilities are also planned in the third quarter which should increase our netback by about $3 per Bbl to $18 per Bbl at first quarter 1996 prices. Two possible follow-up two legged horizontal wells could be drilled in the fourth quarter of 1996 pending evaluation of the results.

Rider 67% Land
Proposed Two Legged Horizontal
Proposed Horizontal Re-Entry
Seismic
Producing Zone Alida

Pembina/Keystone, Alberta



At Pembina/Keystone, Alberta, Rider has a 100% interest in 1,200 acres of prospective land and an approximate 19% interest in the Pembina/Keystone Cardium Unit #2. Net production from the area is 175 BOPD and 1 Mmcf of NGL rich gas. The Company plans to drill up to four wells in the third and fourth quarters of 1996, which should boost production by 200 BOEPD net to Rider.



Rider 100% Land

Proposed Location

Keystone Cardium Unit #2 Boundary

Producing Zone — Cardium

MANAGEMENT'S DISCUSSION AND ANALYSIS

In its second full year of operations, Rider continued to realize pivotal goals such as operating new projects and solidifying a production base. This success has positioned Rider for continued growth in 1996. Growth will be achieved by continuing to follow our corporate plan of participating directly in lower risk, shallow oil plays that add value to shareholders. A significant amount of cash together with undrawn lines of credit and increasing cash flow will allow us to aggressively expand capital spending and continue to add shareholder value.

Oil and Gas Revenue

Rider derived 82% of its revenue from crude oil and the remaining 18% from natural gas. Crude oil provides a more immediate return to a smaller exploration and production company like Rider and will continue to be the principal focus of operations. Primarily as a result of a full year of production, further acquisitions in the same properties at Pembina, and development drilling at both Pembina and Handsworth in Saskatchewan, crude oil production increased by 330% to average 185 BOPD in 1995 compared to 43 BOPD in 1994. The same properties at Pembina helped boost production of natural gas more than ninefold from 96 Mcf/d in 1994 to an average 966 Mcf/d in 1995. Rider's crude oil price increased 8% to average $22.01 per barrel, but very weak natural gas prices resulted in Rider's average natural gas price dropping in half to $0.89 per Mcf in 1995. On a BOE basis, Rider's average commodity price decline was limited to 12 percent as a result of Rider's crude oil focus. Production revenues from oil and gas increased a very substantial 369% in 1995, to a total of $1.8 million, driven almost exclusively by the 435% increase in BOE production. Other income, primarily interest and operational recoveries, was consistent year over year and is declining as a percentage of revenues as Rider becomes more active.

Expenses

Rider's royalties increased as a result of higher levels of revenue but the royalty rate decreased from 16% of revenues in 1994 to 10% in 1995, as a result of new production from wells drilled which are eligible for the Alberta Royalty Tax Credit and royalty free periods in Saskatchewan. Royalty rates in 1996 should remain consistent with the lower rates in 1995.

Production costs were up in 1995, consistent with the much higher levels of production. On a BOE basis, they were up slightly to $7.74 per BOE in 1995 from $7.23 in 1994. Action has been taken to install facilities and reduce third party processing charges. Per unit costs will decline in 1996 as more Rider operated production comes on stream.

General and administrative costs are steady, year over year, but are expected to increase in 1996 as more staff is required to handle increased levels of cash flow and capital investment. Capitalized general and administrative costs were up 7% to $257,000.

Depletion

The BOE rate for depletion and depreciation was down in excess of 20% to $3.13 per BOE for depletion and depreciation and $0.82 per BOE for site restoration. These rates are low in comparison to the total oil and gas industry and they are expected to remain at these levels in 1996. Depletion and depreciation expenses and provision for site restoration both increased due to much higher levels of production.

The capital structure which Rider used to raise its initial share capital made extensive use of flow-through shares where tax deductions, resulting from capital expenditures, are flowed to investors. Consequently, Rider has limited income tax pools to shelter taxable income and a large portion of Rider's depletion and depreciation charges are not deductible for income tax purposes. This structure caused Rider to pay $100,000 in current taxes in 1995 and record a high effective rate of deferred income taxes of $128,000 in 1995. The use of loss carryforwards had eliminated income taxes in 1994. An aggressive capital program has been implemented and should result in no cash income taxes being paid in 1996. The higher effective tax rate will be lowered as more capital is spent which is eligible for tax deductions.

Cash Flow and Net Income

Cash flow increased as a result of substantially higher oil and gas revenues despite the payment of current taxes. Cash flow from operations increased 217% in 1995 to total $757,000 ($0.35 per share) as compared to $239,000 ($0.11 per share) in 1994. Net income was up 14% in 1995 to $139,000 ($0.06 per share) from $123,000 ($0.06 per share) in the previous year. The large increase in cash flow did not translate to an equivalent increase in net earnings due to the inclusion of deferred taxes in 1995.

Reserves

Total proved gas reserves increased 95% to 2.8 Bcf while proved oil and NGL reserves grew 74% to 417,552 Bbls. Production in 1995 averaged 966 Mcf of gas and 185 Bbls of oil and NGL per day, a 906% and 330% improvement respectively over 1994 volumes. Current output is around 1,400 Mcf per day of gas and 200 Bbls per day of liquids.

The Company replaced its 1995 production by 4.1 times on the basis of proven reserve additions only, with the figure rising to 11.8 times using proven plus probable additions. On a Bbl of oil equivalent basis (gas converted on a 10 Mcf = 1 BOE basis), reserve additions were 415,405 BOE proven and 1,202,914 BOE proven plus probable.

Rider's reserve life index, based on average 1995 production rates and proven reserves, is 7.9 years for natural gas and 6.2 years for oil and NGL. Finding costs for 1995, inclusive of all costs, were $3.11 per BOE for proven reserves and $1.07 per BOE for proven plus probable reserves.

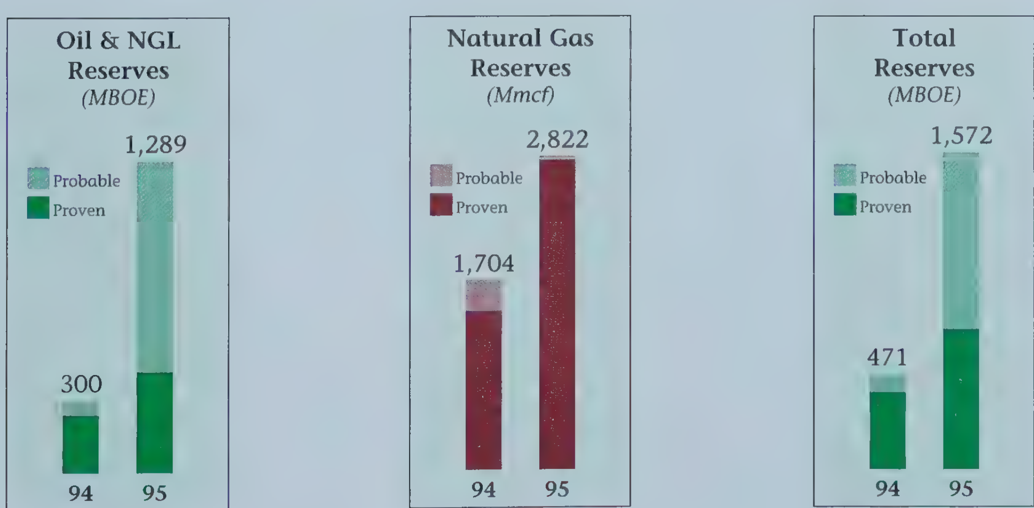
Rider's reserves as evaluated by McDaniel & Associates Consultants Ltd. as of January 1, 1996, showed significant growth. The following tables summarize the McDaniel report.

RECONCILIATION TABLE - RESERVES VOLUMES

	Crude Oil & NGL (MBbls)			Natural Gas (Mmcf)			Equivalent Liquids (10:1)		
	Proven	Probable	Total	Proven	Probable	Total	Proven	Probable	Total
Balance, Dec. 31, 1993	–	–	–	–	–	–	–	–	–
Additions	255.6	61.0	316.6	1,461.0	278.0	1,739.0	401.7	88.8	490.5
Production	(15.7)	–	(15.7)	(35.0)	–	(35.0)	(19.2)	–	(19.2)
Balance, Dec. 31, 1994	239.9	61.0	300.9	1,426.0	278.0	1,704.0	382.5	88.8	471.3
Additions	245.1	811.3	1,056.4	1,708.2	(237.7)	1,470.5	415.9	787.5	1,203.5
Production	(67.5)	–	(67.5)	(352.6)	–	(352.6)	(102.8)	–	(102.8)
Balance, Dec. 31, 1995	417.5	872.3	1,289.8	2,781.6	40.3	2,821.9	695.7	876.3	1,572.0

RECONCILIATION OF CHANGES IN RESERVES

	Crude Oil & NGL (MBbls)			Natural Gas (Mmcf)			Total Reserves (MBOE)		
	Proven	Probable	Total	Proven	Probable	Total	Proven	Probable	Total
Balance, Dec. 31, 1994	239.9	61.0	300.9	1,426.0	278.0	1,704.0	382.5	88.8	471.3
Additions	245.1	811.3	1,056.4	1,708.2	(237.7)	1,470.5	415.9	787.5	1,203.5
Production	(67.5)	–	(67.5)	(352.6)	–	(352.6)	(102.8)	–	(102.8)
Subtotal	417.5	872.3	1,289.8	2,781.6	40.3	2,821.9	695.7	876.3	1,572.0
Balance, Dec. 31, 1995	417.5	872.3	1,289.8	2,781.6	40.3	2,821.9	695.7	876.3	1,572.0
Reserve Life Index	6.2	–	19.1	7.9	–	8.0	6.8	–	15.3
Reserve Replacement %	363%	–	1,565%	484%	–	417%	405%	–	1,171%



Projections of 1996 Cash Flow and Net Earnings

The following table indicates the 1996 pricing estimates and the sensitivity to variations in each base factor.

1996 CASH FLOW VARIABLES AND SENSITIVITIES			Cash Flow Impact		Income Impact	
VARIABLE	1996 Base Case	Variation	$000	Per Share	$000	Per Share
Oil Production (Bbls/d)		100	538	$ 0.245	182	$ 0.083
Gas Production (Mcf/d)		1,000	180	0.08	30	0.01
Oil Prices ($US/Bbl)	19.00	1.00	97	0.044	55	0.025
Gas Prices ($CDN/Mcf)	1.20	0.10	41	0.019	22	0.010
Exchange Rate ($ 0.01)	0.74	0.01	25	$ 0.011	14	$ 0.006

Capital Program

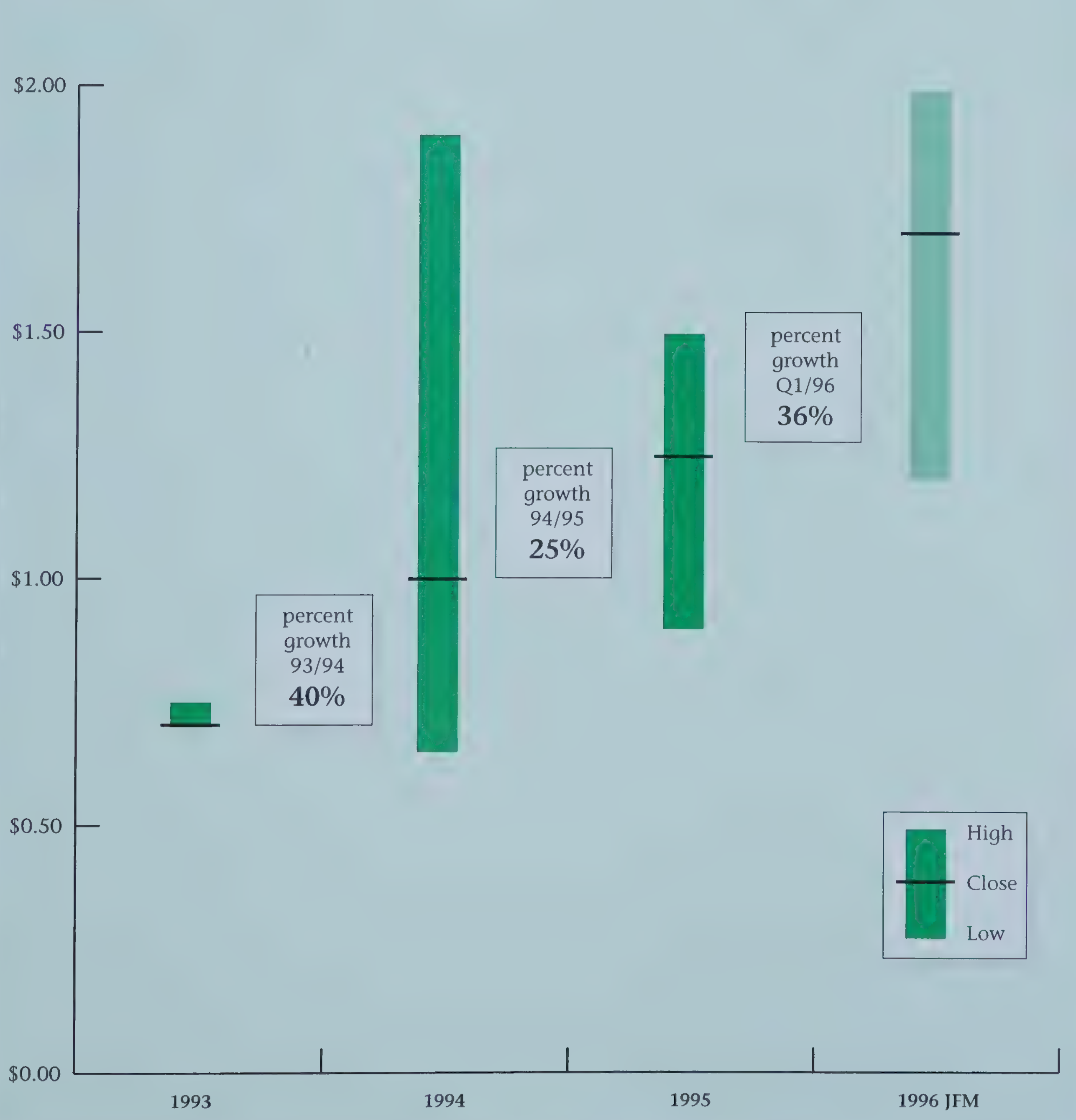
Rider's capital additions amounted to $1.6 million and centered on development drilling at Pembina, Alberta and Handsworth, Saskatchewan together with further purchases of unit interest in Pembina. This program was funded by cash flow and drawing down on working capital remaining from the initial public issue of share capital in 1993. Finding and on stream costs based on the total capital program, divided by the total reserves discovered, resulted in a cost of $1.07 per BOE added and $3.11 per BOE using proven reserves only.

Share Capital

The outstanding share capital of the Company consists of 2.2 million Class A voting shares that are listed for trading on the Alberta Stock Exchange and 3.7 million Class B non-voting, convertible, redeemable shares. In 1995, the only changes in the outstanding shares were the issue of 129,800 Class A shares for cash at an average price of $1.03 per share and the repurchase of 53,700 Class A shares at an average price of $1.13 per share under a Normal Course Issuer Bid which expired on March 15, 1996. During the year 316,500 warrants, each entitling the holder to acquire one Class A share for $1.25, expired at the end of the term on June 30, 1995. In 1995, 382,000 Rider shares were traded on the Alberta Stock Exchange at a weighted average price of $1.14. The low price for the stock was $0.90, the highest trade was at $1.50 and the stock closed the year at $1.25.

	SHARE TRADING INFORMATION						
	1995				At December 31		
	Q1	Q2	Q3	Q4	**1995**	1994	1993
High ($)	1.25	1.50	1.45	1.40	**1.50**	1.90	0.75
Low ($)	0.90	1.00	1.05	1.00	**0.90**	0.65	0.70
Close ($)	1.05	1.20	1.18	1.25	**1.25**	1.00	0.70
Volume	52,600	115,700	63,753	149,450	**381,503**	286,141	14,100

Rider Share Performance



Liquidity and Capital Resources

Rider's capital resources include $127,000 of working capital, $845,000 in cash and short term deposits and an undrawn line of credit with a major Canadian chartered bank amounting to $1.3 million. These resources place the Company in an excellent position to increase its capital budget in 1996 to $3 million to take advantage of the opportunities Rider's technical staff have identified and to build income tax deductions required to prevent the payment of cash income taxes. With the 1996 budgeted cash flow of $1.44 million together with the existing capital resources, it is anticipated that the 1996 year end debt level will be about $1.9 million, which will represent about 1.3 times cash flow. The preliminary split is approximately 90% to oil projects and 10% to natural gas projects, with 10% allocated to exploration projects and the remaining 90% to development and acquisitions.

NET ASSET VALUE
(thousands)

As at December 31, 1995	Proven plus Probable	Proven plus Half Probable	Proven Only
Present value of crude oil and natural gas reserves discounted at 15%	$ 6,311	$ 5,225	$ 4,139
Undeveloped acreage	700	700	700
Working capital	102	102	102
Net asset value	$ 7,113	$ 6,027	$ 4,941
Class A shares outstanding	2,225	2,225	2,225
Net asset value per Class A share	$ 3.20	$ 2.71	$ 2.22

UNIT ANALYSIS (PER BOE @ 10:1)	
For the Year Ended December 31	1995
Production	
Oil and NGL (MBbls)	67.5
Natural gas (Mmcf)	353
BOE (MBbls @ 10:1)	102.8
Average Prices	
Oil and NGL ($/Bbl)	$ 22.01
Natural gas ($/Mcf)	0.89
Revenue	
Total oil and gas sales	17.52
Other income	1.36
Royalties	(2.00)
Alberta royalty tax credit	0.27
	17.15
Cash expenses	
Production	(7.74)
General and administrative	(1.07)
Current income taxes	(0.97)
	(9.79)
Cash flow from operations	7.36
Non-cash expenses	
Deferred income taxes	(1.25)
Depletion and depreciation	(3.94)
Provision for site restoration	(0.83)
Net earnings	$ 1.35

MANAGEMENT'S REPORT

The accompanying financial statements of Rider Resources Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with that shown in the financial statements.

Management is responsible for the integrity of the financial statements. Systems of internal control are designed and maintained by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial purposes. In preparation of financial statements, estimates are sometimes necessary when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Based on careful judgements, such estimates have been properly reflected in the accompanying financial statements.

The external auditors conduct an independent examination of the financial statements in accordance with generally accepted auditing standards in order to express their opinion on the financial statements. Their examination includes a review and evaluation of the Company's system of internal control and such tests and procedures as considered necessary to provide reasonable assurance that the financial statements are presented fairly.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises this responsibility through its Audit Committee. This committee meets with management and the external auditors to satisfy itself that management responsibilities are properly discharged and to review the financial statements before they are presented to the Board of Directors for approval.

B.E. Horner
President

K.M. Horner
Corporate Secretary

Calgary, Alberta
March 22, 1996

AUDITORS' REPORT

To the Shareholders of Rider Resources Inc.

We have audited the balance sheets of Rider Resources Inc. as at December 31, 1995 and 1994 and the statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Calgary, Alberta
March 22, 1996

BALANCE SHEETS

As At December 31	1995	1994
	$	$
ASSETS		
Current		
Cash and short term deposits	**844,996**	1,215,037
Accounts receivable	**308,309**	69,810
Prepaid expenses	**112,427**	140,988
	1,265,732	1,425,835
Petroleum and natural gas properties	**3,291,700**	1,985,916
Accumulated depletion and depreciation	**(500,456)**	(95,109)
	2,791,244	1,890,807
	4,056,976	3,316,642
LIABILITIES		
Current		
Accounts payable	**1,038,881**	522,436
Income taxes payable	**100,000**	–
	1,138,881	522,436
Provision for site restoration	**105,871**	20,871
Deferred income taxes	**128,000**	–
	1,372,752	543,307
SHAREHOLDERS' EQUITY		
Share capital (Note 3)	**2,422,489**	2,650,648
Retained earnings	**261,735**	122,687
	2,684,224	2,773,335
	4,056,976	3,316,642

Signed on behalf of the Board,

B.E. Ho

Director

Director

STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Years Ended December 31,	1995	1994
	$	$
Revenue		
Oil and gas sales	**1,800,748**	384,183
Less royalties	**(178,009)**	(60,167)
	1,622,739	324,016
Interest and other income	**140,383**	162,212
	1,763,122	486,228
Expenses		
Production	**796,107**	139,641
General and administrative (Note 3)	**109,619**	107,920
Depletion and depreciation	**405,348**	95,109
Provision for future site restoration costs	**85,000**	20,871
	1,396,074	363,541
	367,048	122,687
Income taxes		
Current	**100,000**	–
Deferred	**128,000**	–
	228,000	–
Net Earnings	**139,048**	122,687
Retained earnings, beginning of year	**122,687**	–
Retained earnings, end of year	**261,735**	122,687
Earnings per share	**.06**	.06

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Years Ended December 31	1995	1994
	$	$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net earnings	**139,048**	122,687
Items not affecting cash		
Depletion and depreciation	**405,348**	95,109
Provision for future site restoration	**85,000**	20,871
Deferred income taxes	**128,000**	–
Funds generated from operations	**757,396**	238,667
Changes in non-cash working capital	**406,507**	1,715,913
	1,163,903	1,954,580
Financing		
Issue of share capital	**133,500**	–
Repurchase of common shares	**(60,765)**	(5000)
	72,735	(5,000)
Investing		
Additions to petroleum and natural gas properties	**(1,606,679)**	(2,994,152)
Net cash outflow	**(370,041)**	(1,044,572)
Cash and short term deposits, beginning of year	**1,215,037**	2,259,609
Cash and short term deposits, end of year	**844,996**	1,215,037
Funds generated from operations per share	**.35**	.11

NOTES TO THE FINANCIAL STATEMENTS

1. INCORPORATION

The Company was incorporated under the Alberta Business Corporations Act on March 23, 1993 as Rider Resources Inc. The Company is engaged in the exploration and development of oil and gas properties.

2. ACCOUNTING POLICIES

PETROLEUM AND NATURAL GAS PROPERTIES

The Company follows the full cost method of accounting, whereby all costs directly related to the exploration and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of both productive and unproductive drilling, production equipment costs, and overhead charges (1995 - $257,000, 1994 - $240,650) directly related to these activities. Proceeds of disposals are normally deducted from the full cost pool costs without recognition of gain or loss.

DEPLETION AND DEPRECIATION

Petroleum and natural gas properties and related equipment, excluding undeveloped properties (1995 - $283,000, 1994 - $80,000), are depleted and depreciated using the unit-of-production method based on estimated proven reserves before deduction of royalties and after conversion to units of common measure based on relative energy content. Undeveloped properties are excluded from the depletion base until quantities of proven reserves are found or impairment occurs.

SITE RESTORATION AND ABANDONMENT COSTS

The Company provides for site restoration and abandonment costs on a unit-of-production basis at a rate determined by dividing the total estimated remaining future liability by the remaining proved reserves.

JOINT VENTURES

Substantially all of the exploration and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

FLOW THROUGH SHARES

The Company has financed substantially all of its exploration and development activities through the issue of flow through shares. Under the terms of the flow through share agreements, the tax benefits of the related expenditures are renounced to the shareholders. To recognize the renunciation of the foregone tax benefits to the Company, the carrying value of the properties and equipment and share capital are reduced by the estimated amount of the tax benefits renounced to shareholders at the time the related expenditures are incurred.

3. SHARE CAPITAL

(A) AUTHORIZED

Unlimited number of Class A voting shares

Unlimited number of Class B non-voting shares

(B) ISSUED

	1995		1994	
	Number of Shares	**Amount $**	Number of Shares	Amount $
Class A Shares				
Beginning of year	**2,148,680**	**402,114**	2,148,680	402,114
Issued for cash (i)	**129,800**	**133,500**	–	–
Normal course issuer bid (ii)	**(53,700)**	**(60,765)**	–	–
End of year	**2,224,780**	**474,849**	2,148,680	402,114
Class B Shares				
Beginning of year	**3,742,264**	**2,248,534**	3,747,264	3,391,250
Cancellation of shares	–	–	(5,000)	(5,000)
Tax benefits renounced relating to flow-through shares	–	**(300,894)**	–	(1,137,716)
End of year	**3,742,264**	**1,947,640**	3,742,264	2,248,534
Total share capital		**2,422,489**		2,650,648

(i) Under a prospectus dated August 11, 1993, the Company issued to the public a total of 4,038 units, each unit consisting of 360 Class A shares, 928 "flow through" Class B shares and 100 warrants, each warrant entitling the holder to acquire one Class A share for $1.25 until June 30, 1995. Proceeds of the offering totalled $3,654,364 after deducting commissions and share issue costs. Of the warrants, 87,300 were exercised and the remaining warrants expired on June 30, 1995.

(ii) 53,700 shares were cancelled to treasury through the provision of a normal course issuer bid which expired on March 15, 1996.

(iii) Class A shares and Class B shares are equally entitled to dividends declared and the remaining property upon the wind-up of the Company. The Class B shares may be converted to Class A shares at the option of the Company any time after August 31, 1997 and before June 30, 1999. Class B shares are redeemable at the option of the Company after January 2, 1999 and prior to June 30, 1999 at a price equivalent to the fair market value of the Class B shares provided the current market price of Class A shares exceeds $1.00. Any Class B shares not converted or redeemed as at June 30, 1999 will be deemed to be converted into Class A shares at the greater of $1.00 or the then current market price of the Class A shares.

(C) SHARE OPTIONS

As at December 31, 1995, the Company had reserved 179,868 Class A Shares under stock options granted to senior officers, certain directors and employees of the Company. The options are exercisable at various times at prices between $0.75 and $1.05 per share and expire from 1998 to 2000. Of the total options, 160,000 were exercisable at December 31, 1995.

4. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying the combined Canadian federal and provincial income tax rates of 44.3% to earnings before income taxes as shown below:

	1995	1994
	$	$
Computed expected income taxes	**160,830**	54,399
Increase (decrease) in income taxes resulting from:		
Non-deductible crown payments	**51,330**	10,255
Resource allowance	**(39,870)**	(14,492)
Non-deductible depletion	**101,600**	28,790
Share issue costs	**(34,000)**	(34,020)
Non-taxable Alberta Royalty Tax Credits	**(12,200)**	–
Other	**310**	1,093
Loss carryforward	**–**	(46,025)
Actual income tax provision	**228,000**	–

At December 31, 1995, there was approximately $1,580,000 of oil and gas properties without a tax base. This amount arose as a result of the issuance of the Class B flow through shares (Note 3).

5. COMMITMENTS

The Company is committed to a lease related to office premises which expires in 1997. The annual rentals for each of the years until expiry is as follows:

	$
1996	26,650
1997	4,442

6. EARNINGS PER CLASS A SHARE

The basic earnings per Class A share of $0.06 for 1995 has been calculated using 2,193,847 Class A shares (1994 - 2,148,680), representing the weighted average number of shares outstanding during the year. The fully diluted earnings per Class A share of $0.02 and fully diluted funds from operations per Class A share of $0.13 have been calculated using 5,936,111 shares, representing the fully diluted weighted average number of shares outstanding during the year after taking into account all share options and assuming the conversion of Class B shares to Class A shares accrued at the beginning of the year, using the January 1, 1995 price of $1.00.

The conversion of Class B shares into Class A shares is dependent upon the trading price of the Class A shares, fully diluted earnings and funds from operations per Class A shares could vary significantly in the future depending upon the future trading price of the Class A shares.

7. AVAILABLE CREDIT LINE

The Company currently has a $1.3 million line of credit, with interest at prime plus 0.625% per annum. A general assignment of accounts receivable, a registered floating charge debenture and an assignment of production revenue are pledged as security. The loan is subject to an annual review. No amounts were drawn down on the facility at December 31, 1995.

CORPORATE INFORMATION

Head Office

Suite 1705, 205 - 5th Avenue S.W.
Calgary, Alberta T2P 2V7

Phone: (403) 266-0844
Fax: (403) 266-0846

Board of Directors

B.E. Horner
Calgary, Alberta

B.J. Seaman
Calgary, Alberta

K.M. Horner
Calgary, Alberta

W.L. Kaufmann
Calgary, Alberta

Officers

B.E. Horner
President

L.W. Kotschorek
Vice-President, Land & Marketing

K.M. Horner
Corporate Secretary

Exchange Listing

The Alberta Stock Exchange
Symbol: RRI.A

Transfer Agent

The R-M Trust Company
Calgary, Alberta

Solicitors

Bennett Jones Verchere
Barristers & Solicitors
Calgary, Alberta

Auditors

Deloitte & Touche
Chartered Accountants
Calgary, Alberta

Evaluation Engineers

McDaniel & Associates Consultants Ltd.
Calgary, Alberta

Bankers

The Royal Bank
Main Branch
Calgary, Alberta

Abbreviations

ARTC	– Alberta Royalty Tax Credit
Bbls	– barrels
MBbls	– thousand barrels
BOPD	– barrels of oil per day
Mcf	– thousand cubic feet
Mmcf	– million cubic feet
Bcf	– billion cubic feet
BOE	– barrels of oil equivalent
MBOE	– thousands of BOE
BOEPD	– barrel of oil equivalent per day
/d	– per day
NGL	– natural gas liquid

Natural gas is equated to oil on the basis of: 10 Mcf = 1 BOE.

Produced by Canada Corporate Communications Inc.

Suite 1705, 205 - 5th Avenue S.W.
Calgary, Alberta T2P 2V7

Phone: (403) 266-0844
Fax: (403) 266-0846